

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of  
SOUTHERN CALIFORNIA GAS COMPANY  
For Authorization to Establish a Revenue  
Sharing Mechanism for the Production of  
Native Gas.

(U 904 G)

Application 04-01-034  
(Filed January 26, 2004)

**ADMINISTRATIVE LAW JUDGE'S RULING  
REGARDING NOTICE OF PREHEARING CONFERENCE**

On January 26, 2004 Southern California Gas Company (SoCalGas) filed the above-captioned application. Protests to the application were filed by the following: California Independent Petroleum Association and the California Natural Gas Producers Association; Hallador Production Company; Indicated Producers; Office of Ratepayer Advocates; Southern California Edison Company; and the Southern California Generation Coalition. SoCalGas filed a response to the protests on March 11, 2004.

Based on a review of SoCalGas' application, and the protests of the parties, it appears there are a number of issues that need to be resolved in this proceeding. SoCalGas' response to the protests responded to many of these issues. In addition, SoCalGas states that it is willing to have certain conditions imposed on it to ensure that the issues parties have identified do not become problems. SoCalGas also believes that evidentiary hearings are not needed, but if such hearings are held, the Commission should do so promptly. It is unclear at this point whether the conditions that SoCalGas is willing to accept as conditions

of approval of its application will eliminate the perceived need for evidentiary hearings.

A prehearing conference will be held on Tuesday, April 27, 2004, at 10:00 a.m., at the Commission's hearing room, 505 Van Ness Avenue, San Francisco. The prehearing conference will discuss the issues that need to be addressed in this proceeding, whether evidentiary hearings are needed, and the procedural schedule for this proceeding.

Based on the application and the various pleadings, the preliminary scope of issues to be addressed in this proceeding appear to be the following:

1. Whether the Commission should authorize SoCalGas to establish a cost/revenue sharing mechanism, as proposed in its application, to provide SoCalGas with the incentive to drill additional wells at or near SoCalGas' existing storage fields in an effort to locate and produce new gas supplies.
2. Whether the request for such authorization contemplates that the authorization include the Commission's approval for SoCalGas to drill additional wells at or near SoCalGas' existing storage fields.
3. Whether the additional drilling contemplated by SoCalGas is subject to any California Environmental Quality Act review by this Commission or another lead agency.
4. Whether SoCalGas filed, or plans to file, for any necessary city, county or state permits, licenses, or authorizations to allow it to drill additional wells.
5. Whether the cost/revenue sharing mechanism compensates ratepayers equitably.
6. Whether the allocation of compensation between the core and non-core is reasonable.

7. Whether appropriate measures need to be taken to monitor and ensure that the additional well drilling does not affect or impact SoCalGas' gas storage operations or the gas placed in storage by SoCalGas' gas storage customers.
8. Whether the well drilling will result in the use of existing ratepayer-funded resources and/or facilities, whether SoCalGas should compensate ratepayers for this use, and whether appropriate accounting mechanisms need to be adopted.
9. Whether the gas produced from SoCalGas' well drilling is subject to the same terms and conditions as other gas produced in California, and whether appropriate safeguards need to be adopted.
10. Whether the additional well drilling will result in additional gas storage space, and who will retain control over the use of the depleted well.
11. Whether it is more cost effective for SoCalGas to have a third-party drill the wells and produce the gas.
12. Whether the gas production from the drilling of the additional wells affect SoCalGas' Gas Cost Incentive Mechanism.

The above preliminary scope of issues may change as a result of the prehearing conference.

SoCalGas and other interested parties may file a prehearing conference statement listing the scope of issues they believe this proceeding should address, whether evidentiary hearings are needed, and a procedural schedule for resolving the application. The prehearing conference statements shall be filed and served on or before April 21, 2004 on both the service list in Application

(A.) 01-04-007 and the initial service list in this proceeding.<sup>1</sup> The service list for this proceeding will be updated at the prehearing conference.

Therefore, **IT IS RULED** that:

1. A prehearing conference in this proceeding shall be held on Tuesday, April 27, 2004, at 10:00 a.m. at the Commission's hearing room, 505 Van Ness Avenue, San Francisco.

2. Southern California Gas Company and interested parties may file and serve a prehearing conference statement on or before April 21, 2004.

a. The prehearing conference statement shall address the scope of issues to be covered in this proceeding, whether evidentiary hearings are needed, and the proposed procedural schedule.

b. The prehearing conference statement shall be served on the service list in A.01-04-007, and the initial service list for this proceeding.

3. This ruling shall be served on the service list in A.01-04-007, and on the initial service for this proceeding.

Dated March 22, 2004, at San Francisco, California.

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<sup>1</sup> The initial service list in this proceeding consists of SoCalGas, the parties who filed pleadings in this proceeding, the assigned Administrative Law Judge, and those persons who have expressed an interest in this proceeding.

/s/ JOHN S. WONG  
John S. Wong  
Administrative Law Judge

**CERTIFICATE OF SERVICE**

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Regarding Notice of Prehearing Conference on all parties of record in this proceeding or their attorneys of record.

Dated March 22, 2004, at San Francisco, California.

/s/ ELIZABETH LEWIS

Elizabeth Lewis

**N O T I C E**

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.